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*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*



**AGTech Holdings Limited**  
**亞博科技控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8279)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

\* For identification purpose only

## **FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

- Revenue of the Group for the Six-Month Period amounted to approximately HK\$43.9 million (Six months ended 30 June 2019: approximately HK\$47.7 million), representing a decrease of approximately 8.0% over the corresponding period in 2019. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment business in the PRC. The decrease in revenue for the Six-Month Period was primarily caused by the decrease in sales of lottery hardware of approximately HK\$6.6 million and decrease of approximately HK\$1.0 million in revenue from games and entertainment division, partially offset by an increase of approximately HK\$4.6 million from the lottery games and systems. The decrease in revenue from hardware business was due to slower tendering processes and hardware deliveries in several provinces as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from the lottery games and systems was caused by the increase in sales volume from the virtual sports lottery games in the second quarter of 2020 after the reopening of PRC lottery market.
- Operating loss for the Six-Month Period was approximately HK\$105.6 million (Six months ended 30 June 2019: approximately HK\$120.2 million), representing a decrease of approximately 12.1% over the corresponding period in 2019.
- The loss for the Six-Month Period was approximately HK\$109.7 million (Six months ended 30 June 2019: approximately HK\$116.1 million), representing a decrease of approximately 5.5% over the corresponding period in 2019.
- The Board does not recommend the payment of an interim dividend for the Six-Month Period.

## INTERIM RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2020 (the “Three-Month Period”) and the six months ended 30 June 2020 (the “Six-Month Period”), together with the comparative unaudited figures for the corresponding period in 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

*For the three months and six months ended 30 June 2020*

|                                                                           |       | Three months ended |                 | Six months ended |                  |
|---------------------------------------------------------------------------|-------|--------------------|-----------------|------------------|------------------|
|                                                                           |       | 30 June            |                 | 30 June          |                  |
|                                                                           |       | 2020               | 2019            | 2020             | 2019             |
|                                                                           | Notes | HK\$'000           | HK\$'000        | HK\$'000         | HK\$'000         |
| Revenue                                                                   | 2     | 30,191             | 27,557          | 43,887           | 47,722           |
| Other income                                                              |       | 2,003              | 1,441           | 5,960            | 2,782            |
| Net other losses                                                          |       | (348)              | (19,371)        | (14,156)         | (6,347)          |
| Employee benefits expenses                                                |       | (39,499)           | (47,012)        | (90,698)         | (106,770)        |
| Purchases of and changes<br>in inventories                                |       | (3,991)            | (2,457)         | (9,918)          | (6,765)          |
| Depreciation expenses                                                     |       | (5,694)            | (5,564)         | (11,525)         | (11,722)         |
| Other operating expenses                                                  |       | (16,246)           | (22,312)        | (29,180)         | (39,095)         |
| <b>Operating loss</b>                                                     |       | <b>(33,584)</b>    | <b>(67,718)</b> | <b>(105,630)</b> | <b>(120,195)</b> |
| Gain on fair value changes of<br>convertible bonds                        |       | –                  | 22,397          | –                | 8,725            |
| (Loss)/gain on fair value changes of<br>contingent consideration payables |       | (11,909)           | 1,046           | (2,690)          | (2,303)          |
| Net finance income                                                        |       | 11,977             | 3,990           | 24,812           | 9,485            |
| Share of results of investments<br>accounted for using equity method      |       | (7,972)            | (4,378)         | (21,150)         | (10,247)         |
| <b>Loss before income tax</b>                                             |       | <b>(41,488)</b>    | <b>(44,663)</b> | <b>(104,658)</b> | <b>(114,535)</b> |
| Income tax expense                                                        | 3     | (3,607)            | (493)           | (5,082)          | (1,583)          |
| <b>Loss for the period</b>                                                | 4     | <b>(45,095)</b>    | <b>(45,156)</b> | <b>(109,740)</b> | <b>(116,118)</b> |

|                                                                          |   | Three months ended |                 | Six months ended |                  |
|--------------------------------------------------------------------------|---|--------------------|-----------------|------------------|------------------|
|                                                                          |   | 30 June            |                 | 30 June          |                  |
|                                                                          |   | 2020               | 2019            | 2020             | 2019             |
| Notes                                                                    |   | HK\$'000           | HK\$'000        | HK\$'000         | HK\$'000         |
| <b>Other comprehensive income:</b>                                       |   |                    |                 |                  |                  |
| <i>Item that will not be reclassified subsequently to profit or loss</i> |   |                    |                 |                  |                  |
| Currency translation differences                                         |   | (1,296)            | (16,310)        | (10,231)         | 833              |
| Other comprehensive income for the period, net of tax                    |   | (1,296)            | (16,310)        | (10,231)         | 833              |
| <b>Total comprehensive income for the period</b>                         |   | <b>(46,391)</b>    | <b>(61,466)</b> | <b>(119,971)</b> | <b>(115,285)</b> |
| <b>(Loss)/profit attributable to:</b>                                    |   |                    |                 |                  |                  |
| Owners of the company                                                    |   | (50,829)           | (46,835)        | (117,366)        | (119,029)        |
| Non-controlling interests                                                |   | 5,734              | 1,679           | 7,626            | 2,911            |
|                                                                          |   | (45,095)           | (45,156)        | (109,740)        | (116,118)        |
| <b>Total comprehensive income attributable to:</b>                       |   |                    |                 |                  |                  |
| Owners of the company                                                    |   | (52,180)           | (61,738)        | (126,998)        | (118,038)        |
| Non-controlling interests                                                |   | 5,789              | 272             | 7,027            | 2,753            |
|                                                                          |   | (46,391)           | (61,466)        | (119,971)        | (115,285)        |
| <b>Loss per share</b>                                                    |   |                    |                 |                  |                  |
| Basic                                                                    | 5 | (HK0.44 cent)      | (HK0.42 cent)   | (HK1.02 cent)    | (HK1.07 cents)   |
| Diluted                                                                  | 5 | (HK0.44 cent)      | (HK0.47 cent)   | (HK1.02 cent)    | (HK1.07 cents)   |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

|                                               |       | Unaudited<br>As at 30<br>June<br>2020<br>HK\$'000 | Audited<br>As at 31<br>December<br>2019<br>HK\$'000 |
|-----------------------------------------------|-------|---------------------------------------------------|-----------------------------------------------------|
|                                               | Notes |                                                   |                                                     |
| <b>Non-current assets</b>                     |       |                                                   |                                                     |
| Property, plant and equipment                 |       | 4,617                                             | 5,685                                               |
| Right-of-use assets                           |       | 10,604                                            | 21,135                                              |
| Investment properties                         |       | 47,154                                            | 47,997                                              |
| Goodwill                                      |       | 1,055,318                                         | 1,067,576                                           |
| Other intangible assets                       |       | 1,742                                             | 1,742                                               |
| Deferred income tax assets                    |       | 5,670                                             | 6,057                                               |
| Investments accounted for using equity method |       | 60,682                                            | 14,300                                              |
| Other receivables, deposits and prepayments   |       | 13,655                                            | 42,931                                              |
|                                               |       | <u>1,199,442</u>                                  | <u>1,207,423</u>                                    |
| <b>Current assets</b>                         |       |                                                   |                                                     |
| Inventories                                   |       | 26,381                                            | 11,923                                              |
| Trade receivables                             | 6     | 21,907                                            | 26,646                                              |
| Other receivables, deposits and prepayments   |       | 107,528                                           | 87,350                                              |
| Cash and bank balances                        | 7     | 1,750,059                                         | 1,921,376                                           |
|                                               |       | <u>1,905,875</u>                                  | <u>2,047,295</u>                                    |
| Total assets                                  |       | <u>3,105,317</u>                                  | <u>3,254,718</u>                                    |
| <b>Current liabilities</b>                    |       |                                                   |                                                     |
| Trade payables                                | 8     | 10,392                                            | 9,157                                               |
| Accruals and other payables                   |       | 76,181                                            | 91,369                                              |
| Contract liabilities                          |       | 3,139                                             | 7,290                                               |
| Current income tax liabilities                |       | 4,067                                             | 2,814                                               |
| Lease liabilities                             |       | 5,302                                             | 14,581                                              |
| Contingent consideration payables             |       | 72,279                                            | 69,589                                              |
|                                               |       | <u>171,360</u>                                    | <u>194,800</u>                                      |

|                                                | <b>Unaudited</b><br><b>As at 30</b><br><b>June</b><br><b>2020</b><br><i>HK\$'000</i> | <b>Audited</b><br><b>As at 31</b><br><b>December</b><br><b>2019</b><br><i>HK\$'000</i> |
|------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Non-current liabilities</b>                 |                                                                                      |                                                                                        |
| Deferred income tax liabilities                | <b>6,369</b>                                                                         | 6,425                                                                                  |
| Provision for warranties                       | <b>27,449</b>                                                                        | 31,172                                                                                 |
| Lease liabilities                              | <b>6,027</b>                                                                         | 7,099                                                                                  |
|                                                | <b>39,845</b>                                                                        | 44,696                                                                                 |
| Total liabilities                              | <b>211,205</b>                                                                       | 239,496                                                                                |
| Net assets                                     | <b>2,894,112</b>                                                                     | 3,015,222                                                                              |
| <b>Equity</b>                                  |                                                                                      |                                                                                        |
| Share capital                                  | <b>23,344</b>                                                                        | 23,344                                                                                 |
| Reserves attributable to owners of the Company | <b>2,830,743</b>                                                                     | 2,958,880                                                                              |
|                                                | <b>2,854,087</b>                                                                     | 2,982,224                                                                              |
| Non-controlling interests                      | <b>40,025</b>                                                                        | 32,998                                                                                 |
| Total equity                                   | <b>2,894,112</b>                                                                     | 3,015,222                                                                              |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six-Month Period

|                                                                          | Attributable to owners of the Company |                           |                                                |                                   |                                  |                               |                              |                                 |                                          |                           |                                |                      | Attributable to non-controlling interests | Total            |
|--------------------------------------------------------------------------|---------------------------------------|---------------------------|------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------------------|---------------------------------|------------------------------------------|---------------------------|--------------------------------|----------------------|-------------------------------------------|------------------|
|                                                                          | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Shares held for share award scheme<br>HK\$'000 | Share options reserve<br>HK\$'000 | Share awards reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Property revaluation reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Subtotal<br>HK\$'000 |                                           |                  |
| Balance at 1 January 2020                                                | 23,344                                | 3,389,886                 | (131,811)                                      | 47,547                            | 50,366                           | 24,253                        | 77,971                       | 47,191                          | 14,402                                   | 75,406                    | (636,331)                      | 2,982,224            | 32,998                                    | 3,015,222        |
| Loss for the period                                                      | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | -                         | (117,366)                      | (117,366)            | 7,626                                     | (109,740)        |
| Other comprehensive income for the period                                | -                                     | -                         | -                                              | -                                 | -                                | -                             | (9,632)                      | -                               | -                                        | -                         | -                              | (9,632)              | (599)                                     | (10,231)         |
| Total comprehensive income for the period                                | -                                     | -                         | -                                              | -                                 | -                                | -                             | (9,632)                      | -                               | -                                        | -                         | (117,366)                      | (126,998)            | 7,027                                     | (119,971)        |
| Recognition of equity settled share-based payments                       | -                                     | -                         | -                                              | -                                 | 15,687                           | -                             | -                            | -                               | -                                        | -                         | -                              | 15,687               | -                                         | 15,687           |
| Lapse of share options                                                   | -                                     | -                         | -                                              | (5,412)                           | -                                | -                             | -                            | -                               | -                                        | -                         | 5,412                          | -                    | -                                         | -                |
| Purchase of shares under share award scheme                              | -                                     | -                         | (16,670)                                       | -                                 | -                                | -                             | -                            | -                               | -                                        | -                         | -                              | (16,670)             | -                                         | (16,670)         |
| Transfer of shares upon vesting of share awards under share award scheme | -                                     | 1,364                     | 24,479                                         | -                                 | (25,843)                         | -                             | -                            | -                               | -                                        | -                         | -                              | -                    | -                                         | -                |
| Transactions with a shareholder                                          |                                       |                           |                                                |                                   |                                  |                               |                              |                                 |                                          |                           |                                |                      |                                           |                  |
| - Employee share-based compensation                                      | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | 495                       | -                              | 495                  | -                                         | 495              |
| - Employee share-based compensation recharge                             | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | (651)                     | -                              | (651)                | -                                         | (651)            |
| <b>Balance at 30 June 2020</b>                                           | <b>23,344</b>                         | <b>3,391,250</b>          | <b>(124,002)</b>                               | <b>42,135</b>                     | <b>40,210</b>                    | <b>24,253</b>                 | <b>68,339</b>                | <b>47,191</b>                   | <b>14,402</b>                            | <b>75,250</b>             | <b>(748,285)</b>               | <b>2,854,087</b>     | <b>40,025</b>                             | <b>2,894,112</b> |
| Balance at 1 January 2019                                                | 22,544                                | 3,269,729                 | (148,805)                                      | 97,384                            | 61,311                           | 21,139                        | 87,687                       | 47,191                          | 14,402                                   | 75,788                    | (564,388)                      | 2,983,982            | 48,749                                    | 3,032,731        |
| Loss for the period                                                      | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | -                         | (119,029)                      | (119,029)            | 2,911                                     | (116,118)        |
| Other comprehensive income for the period                                | -                                     | -                         | -                                              | -                                 | -                                | -                             | 991                          | -                               | -                                        | -                         | -                              | 991                  | (158)                                     | 833              |
| Total comprehensive income for the period                                | -                                     | -                         | -                                              | -                                 | -                                | -                             | 991                          | -                               | -                                        | -                         | (119,029)                      | (118,038)            | 2,753                                     | (115,285)        |
| Recognition of equity settled share-based payments                       | -                                     | -                         | -                                              | 5,022                             | 18,546                           | -                             | -                            | -                               | -                                        | -                         | -                              | 23,568               | -                                         | 23,568           |
| Lapse of share options                                                   | -                                     | -                         | -                                              | (18,295)                          | -                                | -                             | -                            | -                               | -                                        | -                         | 18,295                         | -                    | -                                         | -                |
| Purchase of shares under share award scheme                              | -                                     | -                         | (5,706)                                        | -                                 | -                                | -                             | -                            | -                               | -                                        | -                         | -                              | (5,706)              | -                                         | (5,706)          |
| Transfer of shares upon vesting of share awards under share award scheme | -                                     | (7,984)                   | 31,766                                         | -                                 | (23,782)                         | -                             | -                            | -                               | -                                        | -                         | -                              | -                    | -                                         | -                |
| Transaction with shareholder                                             | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | 256                       | -                              | 256                  | -                                         | 256              |
| Employee share-based compensation recharge                               | -                                     | -                         | -                                              | -                                 | -                                | -                             | -                            | -                               | -                                        | (450)                     | -                              | (450)                | -                                         | (450)            |
| <b>Balance at 30 June 2019</b>                                           | <b>22,544</b>                         | <b>3,261,745</b>          | <b>(122,745)</b>                               | <b>84,111</b>                     | <b>56,075</b>                    | <b>21,139</b>                 | <b>88,678</b>                | <b>47,191</b>                   | <b>14,402</b>                            | <b>75,594</b>             | <b>(665,122)</b>               | <b>2,883,612</b>     | <b>51,502</b>                             | <b>2,935,114</b> |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

*For the Six-Month Period*

|                                                             |             | <b>Six months ended</b> |                 |
|-------------------------------------------------------------|-------------|-------------------------|-----------------|
|                                                             |             | <b>30 June</b>          |                 |
|                                                             |             | <b>2020</b>             | <b>2019</b>     |
|                                                             | <i>Note</i> | <b>HK\$'000</b>         | <b>HK\$'000</b> |
| Net cash used in operating activities                       |             | <b>(118,125)</b>        | (154,192)       |
| Net cash (used in)/generated from investing activities      |             | <b>(490,914)</b>        | 28,143          |
| Net cash used in financing activities                       |             | <b>(19,449)</b>         | (10,808)        |
|                                                             |             | <hr/>                   | <hr/>           |
| Net decrease in cash and cash equivalents                   |             | <b>(628,488)</b>        | (136,857)       |
| Cash and cash equivalents at the beginning<br>of the period |             | <b>1,123,876</b>        | 2,353,368       |
| Effect of foreign exchange rate changes                     |             | <b>5,634</b>            | 2,069           |
|                                                             |             | <hr/>                   | <hr/>           |
| Cash and cash equivalents at the end of the period          | 7           | <b>501,022</b>          | 2,218,580       |
|                                                             |             | <hr/>                   | <hr/>           |

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of GEM Listing Rules.

The consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2020.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the “new and revised HKFRS”). The adoption of new or revised HKFRS that are first effective for the current accounting period does not have a material impact to the Group’s results of operations or financial position. The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

### Comparative figures

Certain comparative figures have been reclassified to conform with the unaudited condensed consolidated financial statements adopted for the Three-Month Period and Six-Month Period.

## 2. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from lottery hardware (including provision of related after-sales services), lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment primarily in the PRC during the Three-Month Period and the Six-Month Period and is analysed as follows:

|                                                             | Three months ended<br>30 June   |                                 | Six months ended<br>30 June     |                                 |
|-------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                                             | 2020<br>(unaudited)<br>HK\$’000 | 2019<br>(unaudited)<br>HK\$’000 | 2020<br>(unaudited)<br>HK\$’000 | 2019<br>(unaudited)<br>HK\$’000 |
| Lottery hardware                                            | 6,865                           | 10,096                          | 12,415                          | 19,064                          |
| Lottery games and systems                                   | 17,449                          | 11,589                          | 23,378                          | 18,754                          |
| Provision of lottery distribution<br>and ancillary services | 5,114                           | 4,432                           | 7,007                           | 7,856                           |
| Games and entertainment                                     | 763                             | 1,440                           | 1,087                           | 2,048                           |
|                                                             | <u>30,191</u>                   | <u>27,557</u>                   | <u>43,887</u>                   | <u>47,722</u>                   |

The Group’s revenue and non-current assets were mainly derived from and related to the lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment business in the PRC. Hence, no geographical segment information is presented.

### 3. INCOME TAX EXPENSE

Income tax expenses for the Three-Month Period and Six-Month Period represent PRC Enterprise Income Tax.

### 4. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

|                                        | Three months ended<br>30 June |             | Six months ended<br>30 June |             |
|----------------------------------------|-------------------------------|-------------|-----------------------------|-------------|
|                                        | 2020                          | 2019        | 2020                        | 2019        |
|                                        | (unaudited)                   | (unaudited) | (unaudited)                 | (unaudited) |
|                                        | HK\$'000                      | HK\$'000    | HK\$'000                    | HK\$'000    |
| Share-based payments                   | 6,763                         | 13,581      | 16,182                      | 23,824      |
| Provision for warranties               | 374                           | 454         | 1,049                       | 1,142       |
| Bank interest income                   | (11,847)                      | (15,921)    | (24,513)                    | (32,119)    |
| Interest expenses on Convertible Bonds | —                             | 10,703      | —                           | 21,910      |

### 5. LOSS PER SHARE

#### (a) Basic

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$50,829,000 and unaudited loss attributable to owners of the Company for the Six-Month Period of approximately HK\$117,366,000 (for the three months and six months ended 30 June 2019: loss of approximately HK\$46,835,000 and HK\$119,029,000 respectively) by the weighted average number of ordinary shares outstanding during the Three-Month Period and Six-Month Period of approximately 11,672,342,000 shares (for the three months and six months ended 30 June 2019: approximately 11,272,342,000 shares) and excluding the weighted average number of shares held for share award scheme of approximately 159,684,000 shares and 163,772,000 shares respectively (for the three months and six months ended 30 June 2019: approximately 95,437,000 shares and 102,111,000 shares respectively).

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has four categories of dilutive potential ordinary shares: Convertible Bonds, contingent considerations, share options and share awards. The Convertible Bonds are assumed to have been converted into ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. The contingent considerations are assumed to have been settled in ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the share options and share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and share awards.

For the Three-Month Period and Six-Month Period, Convertible Bonds are excluded from the computation of the diluted loss per share as there were no Convertible Bonds outstanding as at 30 June 2020. The computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the diluted loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions are not satisfied as at 30 June 2020.

For the six months ended 30 June 2019, the computation of the diluted loss per share does not assume the conversion of outstanding Convertible Bonds, exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the diluted loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions are not satisfied as at 30 June 2019.

For the three months ended 30 June 2019, diluted loss per share is calculated by dividing the adjusted unaudited loss attributable to owners of the Company of approximately HK\$58,529,000 by the adjusted weighted average number of ordinary shares outstanding during the three months ended 30 June 2019 of approximately 12,509,866,000 shares. The computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions were not satisfied as at 30 June 2019.

## 6. TRADE RECEIVABLES

Ageing analysis of trade receivables based on the date of the relevant invoice or demand note was as follows:

|                 | As at<br>30 June<br>2020<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|-----------------|-----------------------------------------------------|-------------------------------------------------------|
| 0 to 30 days    | 21,622                                              | 24,358                                                |
| 31 to 60 days   | 96                                                  | 1,730                                                 |
| 61 to 90 days   | 25                                                  | 228                                                   |
| 91 to 120 days  | 1                                                   | 11                                                    |
| 121 to 365 days | 163                                                 | 319                                                   |
|                 | <u>21,907</u>                                       | <u>26,646</u>                                         |

## 7. CASH AND BANK BALANCES

|                                                                      | As at<br>30 June<br>2020<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|----------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Cash and cash equivalents                                            | 501,022                                             | 1,123,876                                             |
| Fixed deposits held at bank with original maturity over three months | 1,240,080                                           | 778,544                                               |
| Pledged bank deposits                                                | 266                                                 | 2,504                                                 |
| Restricted cash                                                      | 8,691                                               | 16,452                                                |
|                                                                      | <u>1,750,059</u>                                    | <u>1,921,376</u>                                      |

## 8. TRADE PAYABLES

Ageing analysis of trade payables based on invoice date was as follows:

|                 | As at<br>30 June<br>2020<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|-----------------|-----------------------------------------------------|-------------------------------------------------------|
| 0 to 30 days    | 8,166                                               | 6,825                                                 |
| 31 to 60 days   | –                                                   | 10                                                    |
| 61 to 90 days   | –                                                   | 3                                                     |
| 91 to 120 days  | 3                                                   | 7                                                     |
| 121 to 365 days | 42                                                  | 1,735                                                 |
| Over 365 days   | 2,181                                               | 577                                                   |
|                 | <u>10,392</u>                                       | <u>9,157</u>                                          |

## 9. RELATED PARTY TRANSACTIONS

### (a) Sales of services

|                                                                         | Six months ended<br>30 June<br>2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
|-------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------|
| Revenue of games and entertainment business<br>from fellow subsidiaries | 184                                                            | 7                               |
| Revenue of games and entertainment business<br>from a joint venture     | 897                                                            | 1,143                           |
| Recharge for technical services to a joint venture                      | 698                                                            | 977                             |

### (b) Purchases of goods and services

|                                                                                                 | Six months ended<br>30 June<br>2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------|
| Recharge for operation of lottery distribution<br>from fellow subsidiaries                      | 672                                                            | 641                             |
| Purchase of marketing services for lottery<br>distribution business from a fellow subsidiary    | 151                                                            | –                               |
| Purchase of marketing services for games and<br>entertainment business from fellow subsidiaries | 14                                                             | 317                             |
| Purchase of technology services from fellow<br>subsidiaries                                     | 799                                                            | 428                             |
| Recharge for rental services from a fellow subsidiary                                           | 74                                                             | 83                              |
| Recharge for management and administrative services<br>from fellow subsidiaries                 | 4,208                                                          | 2,919                           |

(c) **Key management compensation**

The remuneration of the Directors (who are the key management personnel of the Group) during the period was as follows:

|                              | <b>Six months ended</b> |                    |
|------------------------------|-------------------------|--------------------|
|                              | <b>30 June</b>          |                    |
|                              | <b>2020</b>             | <b>2019</b>        |
|                              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
|                              | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
| Short-term employee benefits | <b>3,074</b>            | 2,690              |
| Share-based payments         | <b>1,847</b>            | 3,567              |
| Post-employment benefits     | <b>99</b>               | 99                 |
|                              | <b>5,020</b>            | 6,356              |

(d) **Loan to related parties**

|                      | <b>As at</b>       | <b>As at</b>       |
|----------------------|--------------------|--------------------|
|                      | <b>30 June</b>     | <b>31 December</b> |
|                      | <b>2020</b>        | <b>2019</b>        |
|                      | <b>(unaudited)</b> | <b>(audited)</b>   |
|                      | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Loan to an associate | <b>30,552</b>      | 29,847             |
| Loan to an officer   | <b>2,110</b>       | 2,215              |

(e) **Amounts due from/(to) related parties**

|                                      | <b>As at</b>       | <b>As at</b>       |
|--------------------------------------|--------------------|--------------------|
|                                      | <b>30 June</b>     | <b>31 December</b> |
|                                      | <b>2020</b>        | <b>2019</b>        |
|                                      | <b>(unaudited)</b> | <b>(audited)</b>   |
|                                      | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Amounts due from fellow subsidiaries | <b>1,917</b>       | 1,772              |
| Amount due from a joint venture      | <b>4,415</b>       | 7,963              |
| Amounts due to fellow subsidiaries   | <b>(43,397)</b>    | (37,976)           |

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Six-Month Period (2019: Nil).

## **DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS**

### **About the Group**

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on China and selected international markets. A member of the Alibaba Group with around 340 employees, AGTech is the exclusive lottery platform of Alibaba Group and Ant Group.

AGTech's businesses are broadly divided into two categories:

- Lottery (including hardware, games and systems and provision of distribution and ancillary services); and
- Games and Entertainment.

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), and an official partner of the International Mind Sports Association (IMSA).

### **Corporate Strategy and Objectives**

AGTech is committed to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world.

As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to support lottery authorities in areas including product development, physical channel expansion, innovative hardware, marketing services and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.

The Group will continue to develop differentiated games and entertainment platforms with the goal of integrating unique social games and sports entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

Looking forward, AGTech will continue to pursue overseas opportunities and globalize our business through offering our proprietary systems and platforms, as well as operational and technical expertise, in addition to seeking strategic partnership with local partners in overseas markets such as India, South East Asia and beyond.

## **INDUSTRY OVERVIEW**

### **Lottery**

There are two legal lottery operators in the PRC: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery).

According to MOF figures<sup>#</sup>, during the Six-Month Period, lottery market recorded sales of approximately RMB123.9 billion, a decrease of approximately 41.7% compared to the corresponding period in 2019. Of this, Welfare Lottery amounted to approximately RMB59.3 billion, representing a decrease of approximately 39.4% compared to the corresponding period in 2019. The Sports Lottery achieved sales of approximately RMB64.6 billion, representing a decrease of approximately 43.7% compared to the corresponding period in 2019. Other than the closure of national lottery market during Chinese Lunar New Year, the drop in sales was mainly due to the impact of Novel Coronavirus (“COVID-19”) outbreak while the business hours of lottery sales outlets were significantly reduced.

At the beginning of 2019, Chinese lottery authorities advised on a series of operating and governing recommendations with aim to improve on risk management supervision and to promote responsible lottery. Market supervision will be strengthened to ensure the healthy development of the lottery industry.

<sup>#</sup> *Source: Ministry of Finance of the PRC*

### **Games and Entertainment**

The proliferation of smartphones in the PRC over the last several years, coupled with ever improving content across games categories, have increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data and enhanced mobile devices have all contributed to the increase of mobile content consumption in China, thereby driving impressive levels of innovation in mobile games and entertainment content.

In fact, China has become one of the largest mobile games markets in the world. However, over the course of 2018 and 2019, we noted that certain PRC government’s directives were issued to closely regulate the administration of the online game industry and the PRC government had paid attention to the internet industry. This may cause uncertainties to China’s overall games industry.

## **BUSINESS REVIEW**

Lottery sales and operations in China have been affected by COVID-19 delays during the first few months of 2020. Lottery sales activities have since resumed in March 2020, and the Group will continue to closely monitor the latest development and recovery post pandemic.

## **Lottery Resources Channel**

The Group has successfully launched its dedicated lottery resources channel on mobile Taobao and mobile Alipay. While this lottery resources channel has not conducted any internet lottery sales, it serves as a one-stop platform for many lottery-related services and resources, providing lottery players and online users in China an easy access to information and resources that address various lottery needs.

Tools on the lottery resources channel include displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. Recent addition of sporting content and sports intelligence services have been added to our growing range of tools and products as well. Through this channel, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Group, in preparation for any potential approval and authorisation of online distribution of lottery products in the future.

The Group will continue to leverage on and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models where appropriate. We believe that the integration of lottery services and products through physical retail distribution channel and networks will continue to create synergy and opportunities in the future.

## **Lottery Games and Systems**

### ***The development and supply of lottery games, underlying software and advanced supporting systems***

The Lottery Games and Systems division has a reserve of rich and attractive lottery content designed to fulfill the demands of the market and players.

## **Lucky Racing and e-Ball Lottery**

AGT, which is owned as to 51% by the Group and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery, after having launched its motor racing-themed virtual game "Lucky Racing" ("幸運賽車") in Hunan Province of the PRC in 2011, and its football themed game "e-Ball Lottery" ("e球彩") in Jiangsu Province of the PRC in 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcast to lottery shops via a central server and cable television, allowing customers to bet on computer generated car races or football matches respectively.

As announced by the Company on 14 November 2018, 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) (“AGT Beijing”), a subsidiary owned as to 51% by the Group, has been awarded the technical cooperation contract in respect of “e-Ball Lottery” for Jiangsu SLAC. Under such contract, AGT Beijing is responsible for setting up and developing the distribution and sales management system for “e-Ball” Lottery for a further five-year term, including its maintenance, installation, testing, ongoing development and system upgrade as requested by Jiangsu SLAC.

## **Hardware**

### ***The development, sale and maintenance of hardware (terminal and other lottery related equipment)***

AGTech’s Hardware division primarily supplies the Sports Lottery and the Welfare Lottery and has hardware deployed in multiple provinces, cities, municipalities and autonomous regions across China. The Group is one of the leading manufacturers and suppliers in China of traditional lottery terminals, and paper scratch card sales hardware (instant ticket verification terminals, “IVT(s)”). The Group’s Hardware division continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges.

During the Six-Month Period under review, the Group won five lottery hardware tenders to supply lottery terminals to the SLACs in Anhui province, Shanxi province, Jilin province, Hubei province and Guizhou province of the PRC. The Group will continue to pursue tenders to supply to the lottery and other hardware market and bid for new contracts after resumption of tenders post COVID-19 delays.

## **Games and Entertainment**

### ***Online non-lottery games and entertainment content***

The Group is dedicated to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in preparation for any potential approval and authorisation of online distribution of regulated lottery products, the Group has been active in building our online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content.

## **International Market**

### ***Strategic expansion in selected markets overseas***

A joint venture of the Group with One97 Communications Limited continued to develop its mobile games and entertainment platform in India. Paytm First Games (formerly known as “Gamepind”), offers players a unique online experience with popular games content such as social games, card games and fantasy sports games. The platform has grown its user base significantly and will continue to benefit from Paytm and other well selected marketing channels. As the brand influence of the platform continues to grow,

together with the addition of competitive games contents particularly in the sports category, as demonstrated by the launch of a dedicated cricket channel in 2019 and fantasy cricket (known as “Paytm First Captains”), the Group is hopeful that Paytm First Games will continue to grow its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile games and entertainment market in India.

## **BUSINESS OUTLOOK**

Despite ongoing headwinds and uncertainties with regards to the COVID-19 situation globally, we have seen a steady recovery in the domestic market since lottery related activities resumed. The Group will proactively transform and build on our leading position within the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Group, we expect to further align and benefit from synergies created through cooperation with Alibaba Group and Ant Group.

Our continuing efforts to partner with additional provincial lottery authorities of China in areas such as technology and business innovation, channel expansion and distribution, smart hardware terminals, data services, and other value added ancillary services are all part of our lottery initiatives. We also anticipate a gradual rollout of our SaaS (Software-as-a-Service) platform aiming to serve and benefit users from all sectors within the lottery supply chain. Our platform is expected to be well equipped for applications within the Alibaba digital ecosystem, in addition to any potential change in distribution channels other than the current retail model. While the Group believes that the potential of internet and mobile distribution channels in the PRC lottery markets are promising, there is still uncertainty as to the timing of the potential re-opening of the online lottery distribution market under the applicable PRC laws and regulations. In this respect we will continue to closely monitor policy developments.

The Group continues to operate the lottery channel on mobile Taobao and mobile Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. With the recent addition of sporting content and sports intelligence services to our lottery channel, we expect to roll out further engagement features and tools to improve user experience and engagement.

From a lottery products point of view, we have identified instant scratch lottery games to be an important product initiative for the coming year, as we will be dedicating resources to open up this market within the lottery sector.

Transition to new retail models presents a great opportunity for the further development of the Group’s hardware business. Many of the hardware supplies required under such new retail concept share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. We believe our hardware division continues to be well positioned to take advantage of such opportunities in the foreseeable future.

The Group is also leveraging on our existing products and technology to innovate and improve on digitalization of sporting content. Building off the successful launch of our fantasy sports products on the Paytm First Games platform, we will continue to serve as the technical service provider to the joint venture. We believe that having a robust sports-oriented solution will help the Group to capture opportunities and gain an edge in the fast-evolving sports-entertainment sector.

With respect to our international business, the Group will continue to develop fast growing markets such as India through utilizing our experience on sports betting products, technology, and expertise on risk management. Outside of India, the Group will continue to seek for strong suitable partners in selected international markets to leverage on our platforms of games and entertainment offerings, as well as technical and operation abilities, to further globalise our B2B business segment.

With regards to our investment relating to the formation of Ant Bank (Macao) Limited (formerly known as “Xinghui Bank Limited”) and the official launch of operations in 2019, the Group’s increase in share capital contribution to Ant Bank (Macao) Limited demonstrates our commitment to grow the business and further capitalise on opportunities in Macau and overseas.

The Group will also continue to seek for expansion opportunities in overseas market through acquisitions and investments. To this end, the Group will observe on global business environments and adjust our investment strategies accordingly if necessary.

Lastly, the Group’s continuing efforts to enhance our technology infrastructure and develop our in-house capabilities continue to be a demonstration of our focus to generate long term sustainable growth for the Shareholders.

## Financial Performance Review

Revenue of the Group for the Six-Month Period amounted to approximately HK\$43.9 million (Six months ended 30 June 2019: approximately HK\$47.7 million), representing a decrease of approximately 8.0% over the corresponding period in 2019. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment business in the PRC. The decrease in revenue for the Six-Month Period was primarily caused by the decrease in sales of lottery hardware of approximately HK\$6.6 million and decrease of approximately HK1.0 million in revenue from games and entertainment division, partially offset by an increase of approximately HK\$4.6 million from the lottery games and systems. The decrease in revenue from hardware business was due to slower tendering processes and hardware deliveries in several provinces as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from the lottery games and systems was caused by the increase in sales volume from the virtual sports lottery games in the second quarter of 2020 after the reopening of PRC lottery market.

Operating loss for the Six-Month Period was approximately HK\$105.6 million (Six months ended 30 June 2019: approximately HK\$120.2 million), representing a decrease of approximately 12.1% over the corresponding period in 2019. The decrease was primarily due to the Group's various measures to strengthening cost controls over operating costs and expenses to enhance our competitive position in the industry.

The loss for the Six-Month Period was approximately HK\$109.7 million (Six months ended 30 June 2019: approximately HK\$116.1 million). Convertible Bonds were matured in August 2019 and since then no more fair value change and interest expenses were recognised for the Six-Month Period.

Share of results of investments accounted for using equity method for the Six-Month Period primarily represented the share of loss of the Group's joint venture with One97 Communications Limited of approximately HK\$21.2 million (Six months ended 30 June 2019: approximately HK\$10.2 million). Revenue of the joint venture was affected by the pandemic in India and the postponement of Indian Premier League Fantasy Tournament. Meanwhile, the joint venture continued to develop new products and games, invest in platforms, extend the user base and capture more market share in India.

Other operating expenses for the Six-Month Period were approximately HK\$29.2 million (Six months ended 30 June 2019: approximately HK\$39.1 million). The decrease was primarily due to the decrease in share-based payments for other eligible participants of approximately HK\$4.2 million and the decrease in operating expenses related to lottery distribution and lottery games and systems of approximately HK\$4.3 million.

### *Liquidity and financial resources*

Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities, lease liabilities and contingent consideration payables) as at 30 June 2020 were approximately HK\$338.1 million (as at 31 December 2019: approximately HK\$934.0 million). The total assets and net current assets of the Group as at 30 June 2020 were approximately HK\$3,105.3 million and approximately HK\$1,734.5 million respectively (as at 31 December 2019: approximately HK\$3,254.7 million and approximately HK\$1,852.5 million respectively). Current liabilities of the Group as at 30 June 2020 were approximately HK\$171.4 million (as at 31 December 2019: approximately HK\$194.8 million). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 30 June 2020 was approximately 11.1 (as at 31 December 2019: approximately 10.5) which continuously reflects the adequacy of financial resources of the Group.

### *Capital structure and foreign exchange risk*

During the Six-Month Period, the Group financed its capital requirement through its equity and its internally generated cash flow as well as the proceeds from the Subscription.

As at 30 June 2020, the Group did not have any bank borrowings. The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 30 June 2020 was therefore not applicable.

As at 30 June 2020, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. Since HK\$ is pegged to US\$, and substantially all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies, the Group faced minimal foreign exchange risk during the Six-Month Period. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the Six-Month Period.

### *Contingent liabilities and capital commitment*

As at 30 June 2020, the Group did not have any material contingent liabilities and any material capital commitment that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules during the Six-Month Period.

*Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Six-Month Period*

There were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures that constituted “notifiable transactions” under Chapter 19 of the GEM Listing Rules during the Six-Month Period.

*Employees’ information and remuneration policies*

As at 30 June 2020, the Group had 342 (as at 30 June 2019: 397) employees in the PRC and Hong Kong. Total staff costs (excluding Directors’ emoluments) for the Six-Month Period amounted to approximately HK\$85.7 million (for the six months ended 30 June 2019: approximately HK\$100.4 million).

The Group’s remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, Share Option Scheme, share award scheme, contributory provident fund, social security fund, medical benefits and training.

*Charges on the Group’s assets*

As at 30 June 2020, bank deposits of approximately HK\$0.3 million (as at 31 December 2019: approximately HK\$2.5 million) were held in designated bank accounts to secure letters of guarantee granted to the Group. The pledged bank deposits will be released upon the release of the relevant letters of guarantee granted to the Group.

In addition, as at 30 June 2020, a sum of approximately HK\$8.7 million (as at 31 December 2019: approximately HK\$16.5 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at 30 June 2020, there was no charge on the assets of the Group.

*Significant changes to financial position*

Inventories of the Group amounted to approximately HK\$26.4 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$11.9 million). The Group’s timing for sales has been historically stronger in the second half of the year and therefore the Group will usually stock up higher in the first half of the year in anticipation for the sales in the second half of the year. Inventory turnover period increased from 91 days for the year ended 31 December 2019 to 352 days for the Six-Month Period mainly due to the increase of inventories close to the current period end to meet the demand for the committed orders for the upcoming third quarter of 2020.

Trade receivables of the Group amounted to approximately HK\$21.9 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$26.6 million). Receivables turnover period increased from 53 days for the year ended 31 December 2019 to 101 days for the Six-Month Period mainly due to the fact that the Group's timing of sales has been historically stronger in the second half of the year, thus resulting in more settlement typically being made in the second half of the year which would reduce the receivable turnover days as at the end of the year.

During the Six-Month Period, a loss of approximately HK\$2.7 million was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction. The significant inputs in the fair value measurement primarily included the published closing price per share. In addition, Convertible Bonds were matured in August 2019 and since then no more fair value change and interest expenses were recognised for the Six-Month Period.

Investments accounted for using equity method amounted to approximately HK\$60.7 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$14.3 million). The increase was mainly due to the capital contribution to the joint venture with One97 Communications Limited in India of approximately HK\$70.1 million and partially offset by the share of loss of the joint venture using equity method of approximately HK\$21.2 million.

#### *Significant events after the Six-Month Period*

As of the date hereof, there were no significant events of the Group after the Six-Month Period.

### **USE OF PROCEEDS FROM THE SUBSCRIPTION**

The net proceeds from the Subscription received by the Company upon completion amounted to approximately HK\$2.38 billion.

As disclosed in the first quarterly results announcement of the Company for the three months ended 31 March 2020 (the “**Q1 Announcement**”), net proceeds from the Subscription (the “**Net Proceeds**”) in the sum of approximately HK\$904.5 million remained as at 31 March 2020 (the “**Remaining Net Proceeds**”). The Company announced various re-allocations of the Remaining Net Proceeds (the “**2020 Re-allocations**”) together with their reasons in the Q1 Announcement, and such re-allocations had been implemented during the Three-Month Period. During the Three-Month Period, approximately HK\$76.9 million in total of the Remaining Net Proceeds was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$827.6 million remained as at 30 June 2020 which were placed in the bank accounts of the Group.

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used                          | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 31 March 2020 | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) <b>Games and Entertainment:</b>                                                                                                                                              | <b>approximately HK\$104.5 million</b>                                                    | <b>approximately HK\$7.0 million</b>                                         | The Remaining Net Proceeds were used in items (i)(a) to (i)(c).                                                                                                                                                                                                                                     |
| (a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker                                                                                 | (or approximately 11.6% of the Remaining Net Proceeds)                                    |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                                                                                                                 |
| (b) development, operation and promotion of the mind sports, leisure games and entertainment                                                                                     |                                                                                           |                                                                              | The Remaining Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Remaining Net Proceeds. |
| (c) research and development (“R&D”) of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets |                                                                                           |                                                                              |                                                                                                                                                                                                                                                                                                     |
| (d) expansion and development of the Group’s R&D capability in technology development for games and systems                                                                      |                                                                                           |                                                                              |                                                                                                                                                                                                                                                                                                     |
| (e) payment of marketing fees to merchants to promote and boost online activities by online users                                                                                |                                                                                           |                                                                              |                                                                                                                                                                                                                                                                                                     |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 31 March 2020              | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(ii) <b>Hardware, Lottery Games &amp; Systems:</b></p> <p>(a) operation and development of lottery hardware and terminal production</p> <p>(b) operation and development of lottery software systems</p> <p>(c) development of ancillary parts for lottery hardware and terminal production</p> <p>(d) investment for lottery games</p> <p>(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets</p> <p>(f) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services</p> | <p><b>approximately HK\$250 million</b><br/>(or approximately 27.6% of the Remaining Net Proceeds)</p> | <p><b>approximately HK\$12.2 million</b></p>                                 | <p>The Remaining Net Proceeds were used in items (ii)(a) to (ii)(c) and (ii)(f).</p> <p>No material difference from intended usage noted following the 2020 Re-allocations.</p> <p>The Remaining Net Proceeds allocated to “Hardware, Lottery Games &amp; Systems” are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Remaining Net Proceeds.</p> |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used                                                                                                                                                                                                                                                                                                                | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 31 March 2020        | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iii) <b>Lottery Distribution:</b><br><br>(a) sales, marketing and distribution of virtual lottery games<br><br>(b) sales, marketing and distribution of instant scratch lottery games<br><br>(c) sales, marketing and distribution of other categories of lottery games<br><br>(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.) | approximately <b>HK\$206.6 million</b><br>(or approximately 22.8% of the Remaining Net Proceeds) | approximately <b>HK\$13.6 million</b>                                        | The Remaining Net Proceeds were used in items (iii)(b) to (iii)(d).<br><br>No material difference from intended usage noted following the 2020 Re-allocations.<br><br>The Remaining Net Proceeds allocated to “Lottery Distribution” are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Remaining Net Proceeds. |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used                                                                                                                                                                                                                                                                                                                                                                                                       | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 31 March 2020                | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(iv) <b>Investment project(s) and acquisition(s):</b></p> <p>(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business</p> <p>(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business</p> <p>(c) capital investments in the Group's joint venture company established with One 97 Communications Limited in India</p> <p>(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets</p> | <p><b>approximately HK\$104.2 million</b><br/>(or approximately 11.5% of the Remaining Net Proceeds)</p> | <p>Nil</p>                                                                   | <p>The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Remaining Net Proceeds.</p> |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 31 March 2020 | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (v) General corporate purposes:                                                                                                                         | approximately HK\$239.2 million                                                           | approximately HK\$44.1 million                                               | The Remaining Net Proceeds were used in items (v)(a) to (v)(b).                                                                                                                                                                                                                                        |
| (a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)                                 | (or approximately 26.5% of the Remaining Net Proceeds)                                    |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                                                                                                                    |
| (b) general working capital of the Group                                                                                                                |                                                                                           |                                                                              | The Remaining Net Proceeds allocated to “General corporate purposes” are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Remaining Net Proceeds. |
| <b>Grand total:</b>                                                                                                                                     | <b>approximately HK\$904.5 million</b>                                                    | <b>approximately HK\$76.9 million</b>                                        |                                                                                                                                                                                                                                                                                                        |

The Group will continue its efforts to fully utilize the Remaining Net Proceeds on or before 31 December 2020 in accordance with the allocations as set out above. Nevertheless, in view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, the Board is of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion. There may be a delay in the full usage of the Remaining Net Proceeds and the Group cannot at this stage provide a reasonably reliable estimated timeline. The Group will continuously monitor the development of the pandemic and the Group’s business development and will take necessary measures for the benefit of the Group and, if needed, make an announcement regarding the expected timeline at an appropriate time.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in Shares and restricted share units of the Company:

| Name of Director       | <u>Number of Shares/restricted share units held</u> |                           |               | Approximate percentage held<br>(Note 1) |
|------------------------|-----------------------------------------------------|---------------------------|---------------|-----------------------------------------|
|                        | Personal interest                                   | Corporate interest        | Total         |                                         |
| Mr. Sun Ho             | 46,158,000<br>(Note 2)                              | 2,006,250,000<br>(Note 3) | 2,052,408,000 | 17.58%                                  |
| Ms. Hu Taoye           | 384,000                                             | —                         | —             | 0.003%                                  |
| Mr. Yang Guang         | —                                                   | —                         | —             | 0%                                      |
| Mr. Li Faguang         | —                                                   | —                         | —             | 0%                                      |
| Mr. Ji Gang            | —                                                   | —                         | —             | 0%                                      |
| Mr. Zou Liang          | —                                                   | —                         | —             | 0%                                      |
| Ms. Monica Maria Nunes | 1,750,000                                           | —                         | 1,750,000     | 0.015%                                  |
| Mr. Feng Qing          | 375,000                                             | —                         | 375,000       | 0.003%                                  |
| Dr. Gao Jack Qunyao    | 750,000                                             | —                         | 750,000       | 0.006%                                  |

*Notes:*

1. Based on a total of 11,672,342,235 Shares in issue as at 30 June 2020.
  2. It represents 36,618,000 Shares and 9,540,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Sun Ho.
  3. These 2,006,250,000 Shares were held in the name of Maxprofit Global Inc. As Maxprofit Global Inc. is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer (“CEO”) of the Company, Mr. Sun was deemed to be interested in such Shares.
- b. Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO:

| <b>Name of Director</b> | <b>Nature of interests</b>                 | <b>Number<br/>of shares/<br/>underlying<br/>shares of<br/>Alibaba<br/>Holding<br/>held<br/>(Note 6)</b> | <b>Percentage<br/>of issued<br/>shares of<br/>Alibaba<br/>Holding</b> |
|-------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Ms. Hu Taoye            | Beneficial and equity derivative interests | 134,560<br>(Note 1)                                                                                     | 0.001%                                                                |
| Mr. Yang Guang          | Beneficial and equity derivative interests | 311,320<br>(Note 2)                                                                                     | 0.002%                                                                |
| Mr. Li Faguang          | Beneficial and equity derivative interests | 146,728<br>(Note 3)                                                                                     | 0.001%                                                                |
| Mr. Ji Gang             | Beneficial and equity derivative interests | 75,640<br>(Note 4)                                                                                      | negligible                                                            |
| Mr. Zou Liang           | Beneficial and equity derivative interests | 16,320<br>(Note 5)                                                                                      | negligible                                                            |

*Notes:*

1. It represents 98,560 ordinary shares and 36,000 restricted share units of Alibaba Holding beneficially held by Ms. Hu Taoye.
  2. It represents 71,320 ordinary shares and 240,000 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
  3. It represents 39,328 ordinary shares and 107,400 restricted share units of Alibaba Holding beneficially held by Mr. Li Faguang.
  4. It represents 29,720 ordinary shares and 45,920 restricted share units of Alibaba Holding beneficially held by Mr. Ji Gang.
  5. It represents 16,320 restricted share units of Alibaba Holding beneficially held by Mr. Zou Liang.
  6. The shareholders of Alibaba Holding approved an increase in the number of authorized ordinary shares and a one-to-eight share subdivision of Alibaba Holding's ordinary shares, including all outstanding options, restricted share units and share awards at the annual general meeting held on 15 July 2019 (the "**Share Subdivision**"). As a result of the Share Subdivision, one American depositary share of Alibaba Holding shall represent eight ordinary shares. The number of shares/underlying shares held by each of the relevant Directors shown above has been adjusted to take into account the effect of the Share Subdivision.
- c. Long positions in shares and underlying shares of Alibaba Pictures Group Limited ("**Ali Pictures**"), an associated corporation of the Company within the meaning of Part XV of the SFO:

| Name of Director | Nature of interests | Number<br>of shares<br>of Ali<br>Pictures held | Percentage<br>of issued<br>shares of<br>Ali Pictures |
|------------------|---------------------|------------------------------------------------|------------------------------------------------------|
| Mr. Zou Liang    | Beneficial owner    | 90,000                                         | negligible                                           |

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO:

| Name of Shareholder                                                                                                                      | Capacity                           | Number<br>of Shares held  | Approximate<br>percentage of<br>issued share<br>capital of the<br>Company<br>(Note 1) |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------|---------------------------------------------------------------------------------------|
| Ali Fortune (Notes 2)                                                                                                                    | Beneficial owner                   | 6,502,723,993             | 55.71%                                                                                |
| Alibaba Investment Limited (Note 2)                                                                                                      | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| API Holdings Limited (Note 2)                                                                                                            | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Alibaba Holding (Note 3)                                                                                                                 | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| API (Hong Kong) Investment Limited<br>(Note 4)                                                                                           | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Shanghai Yunju Venture Capital<br>Investment Co., Ltd. (formerly known<br>as Shanghai Yunju Investment<br>Management Co., Ltd.) (Note 5) | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Ant Holdco (Note 6)                                                                                                                      | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Hangzhou Yunbo Investment Consultancy<br>Co., Ltd. (Note 7)                                                                              | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Mr. Ma Yun (Note 7)                                                                                                                      | Interest of controlled corporation | 6,502,723,993<br>(Note 8) | 55.71%                                                                                |
| Maxprofit Global Inc (Note 9)                                                                                                            | Beneficial owner                   | 2,006,250,000             | 17.19%                                                                                |

*Notes:*

1. Based on a total of 11,672,342,235 Shares in issue as at 30 June 2020.
2. Alibaba Investment Limited (“AIL”) and API Holdings Limited (“API Holdings”) hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.
4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.
5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“Shanghai Yunju”) holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Holdco holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“Junhan”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“Junao”) hold approximately 29.86% and 20.66% of the equity interests in Ant Holdco, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“Yunbo”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.
8. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Holdco, Junhan, Junao, Yunbo, and Mr. Ma Yun are taken to be interested in an aggregate of 6,502,723,993 Shares by virtue of Part XV of the SFO.
9. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in Maxprofit Global Inc.

Save as disclosed above, as at 30 June 2020, the Directors or chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

## INTERESTS OF OTHER PERSONS

As at 30 June 2020, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

## INTERESTS IN COMPETING BUSINESS

During the Six-Month Period, none of the Directors, the controlling shareholder of the Company and their respective close associates had an interest in a business, which competes or might compete with the business of the Group.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qun Yao. The Audit Committee is chaired by Ms. Monica Maria Nunes. The Group’s unaudited condensed consolidated financial statements for the Six-Month Period have not been audited by the Company’s auditor but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

The Company has adopted the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules. During the Six-Month Period, the Company complied with the Code except for the following deviations:

- (a) under the Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the Six-Month Period. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;

- (b) under the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws of the Company, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the Six-Month Period, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;
- (c) under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the Six-Month Period, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under the Code provision A6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the Six-Month Period, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the “**Annual Contributions Review**”), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- (e) under the Code provision B.1.2(c), the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;

- (f) under the Code provision B.1.5, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future; and
- (g) under the Code provision E.1.5, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders.

(The above deviations (a) to (g) were similarly disclosed on pages 23 and 24 of the Company’s annual report for the year ended 31 December 2019 and on pages 47 to 50 of the Company’s interim report for the six months ended 30 June 2019.)

## REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than exacting than the standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the “**Code of Conduct**”). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings set out in the Code of Conduct during the Six-Month Period.

## SHARE OPTION SCHEMES

All options granted under the share option scheme adopted by the Company on 18 November 2004 were lapsed in 2019. The following table sets out details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the share option scheme adopted by the Company on 23 December 2014 (the “**2014 Share Option Scheme**”) during the Six-Month Period:

|                                      |                                 |                                    |                                 | Number of underlying Shares entitled (in respect of share options of the Company) |                                     |                                       |                                     |                                       |                             |
|--------------------------------------|---------------------------------|------------------------------------|---------------------------------|-----------------------------------------------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|-----------------------------|
| Option type                          | Date of grant                   | Exercise price per Share<br>(HK\$) | Exercisable period              | Outstanding at 1 January 2020                                                     | Granted during the Six-Month Period | Exercised during the Six-Month Period | Expired during the Six-Month Period | Forfeited during the Six-Month Period | Outstanding at 30 June 2020 |
| Directors:                           |                                 |                                    |                                 |                                                                                   |                                     |                                       |                                     |                                       |                             |
| 2014 Share Option Scheme             | 1 June 2015                     | 0.858                              | 1 June 2016-31 May 2020         | 750,000                                                                           | –                                   | –                                     | (750,000)                           | –                                     | –                           |
| Eligible employees:                  |                                 |                                    |                                 |                                                                                   |                                     |                                       |                                     |                                       |                             |
| 2014 Share Option Scheme             | 20 January 2015                 | 0.92                               | 20 January 2016-19 January 2020 | 2,137,500                                                                         | –                                   | –                                     | (2,137,500)                         | –                                     | –                           |
| Other eligible participants:         |                                 |                                    |                                 |                                                                                   |                                     |                                       |                                     |                                       |                             |
| 2014 Share Option Scheme             | 20 January 2015/<br>7 July 2015 | 0.92/1.102                         | 20 January 2016-6 July 2020     | 77,773,198                                                                        | –                                   | –                                     | (7,500,000)                         | –                                     | 70,273,198                  |
| Total                                |                                 |                                    |                                 | 80,660,698                                                                        | –                                   | –                                     | (10,387,500)                        | –                                     | 70,273,198                  |
| Exercisable at the end of the period |                                 |                                    |                                 | 80,660,698                                                                        |                                     |                                       |                                     |                                       | 70,273,198                  |
| Weighted average exercise price      |                                 |                                    |                                 | HK\$1.078                                                                         |                                     |                                       |                                     |                                       | HK\$1.102                   |

During the Six-Month Period, no options were granted and exercised. No options were cancelled, but options in respect of 10,387,500 Shares were expired during the Six-Month Period.

As at 30 June 2020, the number of Shares in respect of which options had been granted and remained outstanding under the 2014 Share Option Scheme was 70,273,198 Shares (as at 31 December 2019: 80,660,698 Shares), representing approximately 0.6% (as at 31 December 2019: approximately 0.7%) of the Company's issued share capital as at 30 June 2020.

The fair values of options granted in previous years were calculated using the binominal model, details of which are as follows:

|                                                                | <b>Date of grant</b> |                    |                        |
|----------------------------------------------------------------|----------------------|--------------------|------------------------|
|                                                                | <b>7 July 2015</b>   | <b>1 June 2015</b> | <b>20 January 2015</b> |
| Number of shares to be issued upon exercise of options granted | 300,312,280          | 72,944,800         | 52,200,000             |
| Estimated fair values of options granted (rounded to HK\$'000) | HK\$143,454          | HK\$29,474         | HK\$22,915             |
| Significant inputs into the model:                             |                      |                    |                        |
| Closing share price at date of grant                           | HK\$1.0200           | HK\$0.8400         | HK\$0.9200             |
| Exercise price                                                 | HK\$1.1020           | HK\$0.8580         | HK\$0.9200             |
| Expected volatility                                            | 66.39%-75.55%        | 66.59%-73.87%      | 65.85%-72.71%          |
| Expected life of options                                       | 2-5 years            | 2-5 years          | 2-5 years              |
| Risk-free interest rate                                        | 0.401%-1.156%        | 0.444%-1.104%      | 0.344%-0.971%          |
| Dividend yield                                                 | Nil                  | Nil                | Nil                    |

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

A portion of the option representing 25% of the total underlying shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

## **SHARE AWARD SCHEME**

On 22 May 2020, the Board granted a total of 52,744,000 award Shares to (i) Ms. Hu Taoye, an executive Director; (ii) 6 directors of subsidiaries of the Company; and (iii) 86 eligible persons who are employees and independent of the Company and its connected persons under the Share Award Scheme. The 52,744,000 award Shares granted represent approximately 0.45% of the issued share capital of the Company as at the date of this announcement. Based on the closing price of HK\$0.48 per Share on the date of grant of the award Shares, the market value of the 52,744,000 award Shares in aggregate is HK\$25,317,120.

During the Six-Month Period, the trustee of the Share Award Scheme (the “**Trustee**”) purchased a total of 50,692,000 Shares on the Stock Exchange at a total consideration of approximately HK\$16.7 million to satisfy award Shares granted under the Share Award Scheme.

During the Six-Month Period, 52,744,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 35,567,500 award Shares were vested in the grantees and 14,750,000 award Shares were forfeited.

All of the 52,744,000 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company’s cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Six-Month Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

## **STATUS OF OUTSTANDING DEFERRED CONSIDERATION FOR THE SCORE VALUE TRANSACTION**

Pursuant to the Score Value Agreement, the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK\$300 million to the vendors of Score Value upon fulfilment of certain pre-conditions at a later stage, including obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (the “**Game Approval Pre-condition**”) and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK\$25.2 million, according to the then exchange rate of HK\$1.26 to RMB1.00) per year provided by such vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015, 2016 and 2017 as described in the paragraph headed “Deferred Consideration” on pages 9 and 10 of the Score Value Circular.

As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled but the parties to the Score Value Agreement have mutually agreed to further extend the deadline for fulfilment of such pre-condition to 31 December 2020. Accordingly, the First Deferred Consideration, Second Deferred Consideration and Third Deferred Consideration as described under the paragraph headed “Deferred Consideration” on page 9 of the Score Value Circular have not been paid to the vendors of Score Value.

The Company will make further announcement(s) in due course when the status of the outstanding deferred consideration settlements can be ascertained.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

|                               |                                                                                                                                                                                                                                                                                                                  |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Adoption Date”               | 17 March 2017, being the date on which the Company adopted the Share Award Scheme;                                                                                                                                                                                                                               |
| “AGT”                         | Asia Gaming Technologies Limited, a company incorporated in Hong Kong and owned as to 51% by the Company;                                                                                                                                                                                                        |
| “Ali Fortune” or “Subscriber” | Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Island and the controlling shareholder of the Company;                                                                                                                                                                      |
| “Alibaba Group”               | Alibaba Holding and its subsidiaries;                                                                                                                                                                                                                                                                            |
| “Alibaba Holding”             | Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988); |
| “Alipay”                      | 支付寶(中國)網絡技術有限公司(Alipay.com Co., Ltd.*), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Holdco;                                                                                                                                                                                          |
| “Ant Holdco”                  | 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司(Ant Small and Micro Financial Services Group Co., Ltd.*)), a company incorporated in the PRC;                                                                                                                                          |
| “Ant Group”                   | Ant Holdco and its subsidiaries;                                                                                                                                                                                                                                                                                 |
| “Board”                       | the board of Directors;                                                                                                                                                                                                                                                                                          |
| “Company” or “AGTech”         | AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;                                                                                                                                                                              |
| “Convertible Bonds”           | the convertible bonds of the Company issued to Ali Fortune under the Subscription;                                                                                                                                                                                                                               |
| “Director(s)”                 | the director(s) of the Company;                                                                                                                                                                                                                                                                                  |

|                           |                                                                                                                                                                                |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “GEM”                     | GEM of The Stock Exchange of Hong Kong Limited;                                                                                                                                |
| “GEM Listing Rules”       | the Rules Governing the Listing of Securities on GEM;                                                                                                                          |
| “Group”                   | the Company and its subsidiaries;                                                                                                                                              |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong;                                                                                                                           |
| “Hong Kong” or “HK”       | the Hong Kong Special Administrative Region of the PRC;                                                                                                                        |
| “Macau”                   | the Macao Special Administrative Region of the PRC;                                                                                                                            |
| “MOF”                     | the Ministry of Finance of China;                                                                                                                                              |
| “PRC” or “China”          | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;                                                              |
| “Purchaser”               | Silvercreek Technology Holdings Limited, a wholly-owned subsidiary of the Company, the purchaser in respect of the Score Value Transaction;                                    |
| “RMB”                     | Renminbi, the lawful currency of the PRC;                                                                                                                                      |
| “Score Value”             | Score Value Limited, an indirect wholly-owned subsidiary of the Company, the target in respect of the Score Value Transaction;                                                 |
| “Score Value Agreement”   | the sale and purchase agreement dated 17 November 2014 entered into between the Company, the Purchaser, Score Value and the Vendors in respect of the Score Value Transaction; |
| “Score Value Circular”    | the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction;                                                                                   |
| “Score Value Transaction” | the acquisition of the entire equity interest in Score Value by the Company as contemplated under the Score Value Agreement;                                                   |
| “SFO”                     | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);                                                                                                   |
| “Share(s)”                | ordinary share(s) of HK\$0.002 each in the share capital of the Company;                                                                                                       |
| “Shareholder(s)”          | holder(s) of the Share(s);                                                                                                                                                     |

|                       |                                                                                                                                                                                 |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Share Award Scheme”  | share award scheme of the Company adopted on 17 March 2017;                                                                                                                     |
| “Share Option Scheme” | the share option scheme of the Company adopted on 23 December 2014;                                                                                                             |
| “Shenzhen Subsidiary” | 深圳中林瑞德科技有限公司(Shenzhen Zoom Read Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value;           |
| “SLAC”                | Sports Lottery Administration Centre;                                                                                                                                           |
| “Sports Lottery”      | the national sports lottery of China;                                                                                                                                           |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited;                                                                                                                                        |
| “Subscription”        | the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on 10 August 2016; |
| “Taobao”              | 淘寶(中國)軟件有限公司(Taobao (China) Software Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding;                                                        |
| US\$                  | United States dollars, the lawful currency of the United States of America;                                                                                                     |
| “Vendors”             | Immense Wisdom Limited and King Achieve Limited, the vendors in respect of the Score Value Transaction;                                                                         |
| “Welfare Lottery”     | the national welfare lottery of China; and                                                                                                                                      |
| “%”                   | per cent.                                                                                                                                                                       |

In this announcement, the exchange rate of HK\$1.1038 to RMB1.00 has been used for reference only.

\* *The English translation of the Chinese company names in this announcement are included for reference only and should not be regarded as the official English translation of such Chinese company names.*

By order of the Board  
**AGTech Holdings Limited**  
**Sun Ho**  
*Chairman & CEO*

Hong Kong, 10 August 2020

*As at the date of this announcement, the Board comprises (i) Mr. Sun Ho and Ms. Hu Taoye as executive Directors; (ii) Mr. Yang Guang, Mr. Li Faguang, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website operated by the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its posting and will be published on the website of the Company at [www.agtech.com](http://www.agtech.com).*